

INFORMATION BULLETIN #102

INCOME TAX

JULY 2007

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is inconsistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided in this Bulletin should only serve as a foundation for further investigation and study of the current law and procedures related to its subject matter.

SUBJECT: Small Employer Qualified Wellness Program Tax Credit

REFERENCE: IC 6-3.1-31.2

INTRODUCTION

HEA 1678-2007 created a Small Employer Qualified Wellness Program Tax Credit effective for taxable years beginning after December 31, 2006. The Department is required to file a biennial report to the legislative council beginning in 2009; report the number of taxpayers claiming the credit, any reports of abuse of the credit, and any other information the Department considers necessary.

DEFINITIONS

- A. "Pass through entity" means an S corporation, a partnership, a limited liability company and a limited liability partnership.
- B. "Qualified wellness program" means a wellness program that is certified by the State Department of Health.
- C. "Small employer" means an employer that is actively engaged in business, and employed at least two but not more than 100 employees during more than 50% of the previous taxable year. Employers that are affiliated employers or that are

eligible to file a combined tax return for purposes of state taxation are considered one employer.

- D. "State tax liability" means the adjusted gross income tax, the financial institutions tax or the insurance premium tax.

ENTITLEMENT TO THE TAX CREDIT

A taxpayer is entitled to a credit equal to 50% of the costs incurred by the taxpayer during the taxable year for providing a qualified wellness program for the taxpayer's employees.

If a pass through entity does not have any state tax liability, a shareholder, partner or member of the pass through entity is entitled to the tax credit equal to the tax credit determined for the pass through entity multiplied by the taxpayer's distributive share of income.

CLAIMING THE TAX CREDIT

If the credit provided exceeds the taxpayer's tax liability for the taxable year, the taxpayer is entitled to carry forward the excess to succeeding taxable years. The taxpayer is not entitled to a carry back or refund of any unused credit.

To receive the credit, a taxpayer must submit with their return a copy of the certificate received from the State Department of Health and claim the credit on the taxpayer's annual state tax return.

A handwritten signature in black ink that reads "John Eckart". The signature is fluid and cursive, with the first letter of "John" being a large, stylized capital "J".

John Eckart
Commissioner